



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

March 21, 2014

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

Executive Summary

This memorandum contains a report on the following:

- **Pursuit of County Position on Legislation to Support AB 1839 (Gatto and Bocanegra).** This measure would establish qualified motion picture tax credits for the period of July 1, 2016 through June 30, 2021. Therefore, unless otherwise directed by the Board, consistent with existing policy to support measures that promote economic incentives as a means of creation, attraction, and retention of business, including small business, in the County, **the Sacramento advocates will support AB 1839.**
- **Status of County-Sponsored SB 827 (Liu).** This measure, which relates to the County's Enhanced Homeowner Fraud Notification Program, passed the Senate Governance and Finance Committee on March 19, 2014.

Pursuit of County Position on Legislation

AB 1839 (Gatto and Bocanegra), which as amended on March 19, 2014, would: 1) beginning on or after January 1, 2016, establish qualified motion picture tax credits under the Personal Income Tax Law and Corporation Tax Law for the period of July 1, 2016 through June 30, 2021; 2) extend the scope of the tax credits for a qualified motion picture to the applicable percentage of qualified expenditures up to

"To Enrich Lives Through Effective And Caring Service"

*Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only*

\$100.0 million; 3) extend the availability of the tax credits to television pilot episodes and music scoring/editing; 4) offer tax credits to television series that relocate to the State; 5) limit the aggregate amount of tax credits allocated each fiscal year to a yet-to-be-determined amount; and 6) set aside a specific amount of tax credits allocated each fiscal year for independent films and television series that relocate to the State.

Existing law establishes a motion picture production tax credit, equal to either: 1) 20 percent of the qualified expenditures attributable to the production of a qualified motion picture in California; or 2) 25 percent of the qualified expenditures attributable to the production of a qualified motion picture that has relocated to California or is an independent film.

Under AB 1839, a qualified motion picture is defined to mean a motion picture that is produced for distribution to the general public that is one of the following: 1) a feature with a minimum budget of \$1.0 million; 2) a movie of the week or miniseries with a minimum budget of \$500,000; 3) a new one-hour television series of episodes longer than 40 minutes each of running time, exclusive of commercials, that is produced within the State and that has a minimum budget of \$1.0 million per episode; 4) an independent film; 5) a television series that relocated to the State; and 6) a pilot for a new television series that is longer than 40 minutes of running time, exclusive of commercials, that is produced within the State and that has a minimum budget of \$1.0 million. Current law defines an independent film as a motion picture with a budget between \$1.0 million and \$10.0 million that is produced by a non-publicly traded company and publicly traded companies that do not directly or indirectly own more than 25 percent of the producing company.

The California Film Commission (CFC) administers the motion picture production tax credit and certification program to qualified taxpayers each year through fiscal year 2016-17, on a first-come, first-served basis with \$10.0 million of the tax credit allocation reserved for independent films each fiscal year. Taxpayers first apply to the CFC for a credit allocation based on the estimated project budget and upon receiving an allocation the project must be completed within 30 months. The taxpayer must provide the CFC with verification of completion and documentation of actual qualifying expenditures. The CFC issues credit certificates up to the amount of the original allocation. Unallocated amounts and any allocation amounts in excess of certified credits may be carried over and reallocated by the CFC.

Under AB 1839, the California Film Commission shall increase the percentage of the applicable tax credit by an additional 5 percent, not to exceed a maximum of 25 percent (existing maximum of 20 percent), for filming that takes place outside of the Los Angeles Zone. The Los Angeles Zone is defined to mean the area within a 30 mile radius of Beverley Boulevard and La Cienaga Boulevard, Los Angeles, and includes

Agua Dulce, Castaic, including Lake Castaic, Leo Carillo State Beach, Ontario International Airport, Piru, and Pomona, including the Los Angeles County Fairgrounds. The Metro Goldwyn Mayer, Inc. Conejo Ranch property is also considered within the Los Angeles Zone.

In addition to the economic benefits to local communities and the creation and retention of business and jobs throughout the County, the Department of Beaches and Harbors indicates that the County also benefits when film crews (motion picture production companies) choose to film within the County and use our local amenities. In calendar year 2013 alone, the Department was able to generate approximately \$200,000 in film permit fees revenue. The Chief Executive Office indicates that while AB 1839 provides a statewide benefit in terms of maintaining jobs, promoting business, and securing revenue for the State, the availability of the additional 5 percent tax credit for filming that takes place outside of the Los Angeles Zone could incentivize some production companies to film slightly outside of this zone, which may translate to more filming in areas such as the Antelope Valley and neighboring counties such as Ventura, Orange, and San Bernardino.

The Department of Beaches and Harbors and this office support AB 1839. Therefore, unless otherwise directed by the Board, consistent with existing policy to support measures that promote economic incentives as a means of creation, attraction, and retention of business, including small business, in the County, **the Sacramento advocates will support AB 1839.**

Support of AB 1839 is consistent with **County-supported AB 1435 (Gatto)**, which is currently being considered by the Legislature, and **County-supported AB 2026 (Chapter 841, Statutes of 2012)**, which extended the requirement on the California Film Commission to allocate tax credits to qualifying motion pictures through fiscal year 2016-17. This position is also consistent with **County-supported AB 2747 of 2002**, which would have provided a wage-based tax credit for film, television and commercial production companies that keep at least 50 percent of production in California; and AB 359 of 1999, which would have created incentives for film makers to shoot in California by providing variations of a 10 percent tax credit of wages or labor contract.

AB 1839 is supported by the California Chamber of Commerce; California Labor Federation; Valley Industry and Commerce Association; Fox Entertainment Group, Inc.; Directors Guild of America; Recording Musicians Association; Screen Actors Guild - American Federation of Television & Radio Artists; and the City of Long Beach, amongst others. There is currently no registered opposition to AB 1839.

AB 1839 is scheduled for hearing in the Assembly Arts, Entertainment, Sports, Tourism, and Internet Media Committee on March 25, 2014.

Each Supervisor
March 21, 2014
Page 4

Status of County-Sponsored Legislation

County-sponsored SB 827 (Liu), which as introduced on January 6, 2014, would extend to January 1, 2020, the authorization contained in **County-sponsored SB 62 of 2011**, which allows Los Angeles County to send notifications to occupants of a residential property when a notice of default or of sale has been recorded on that residence and provides for related counseling and assistance, passed the Senate Governance and Finance Committee by a vote of 5 to 2 on March 19, 2014. This measure now proceeds to the Senate Judiciary Committee.

We will continue to keep you advised.

WTF:RA
MR::RM:PC:ma

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants